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ALSTON & BIRD LLP BANK OF AMERICA PLAZA 101 SOUTH TRYON STREET, SUITE 4000 CHARLOTTE, NC 28280-4000			EXAMINER KESACK, DANIEL	
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**GROUP 3600**

**BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES**

Application Number: 09/812,452  
Filing Date: March 20, 2001  
Appellant(s): SPEAR, KEVIN W.

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Gregory J. Carlin  
For Appellant

**EXAMINER'S ANSWER**

This is in response to the appeal brief filed January 19, 2007 appealing from the Office action mailed June 19, 2006.

**(1) Real Party in Interest**

A statement identifying by name the real party in interest is contained in the brief.

**(2) Related Appeals and Interferences**

The examiner is not aware of any related appeals, interferences, or judicial proceedings which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

**(3) Status of Claims**

The statement of the status of claims contained in the brief is correct.

**(4) Status of Amendments After Final**

No amendment after final has been filed.

**(5) Summary of Claimed Subject Matter**

The summary of claimed subject matter contained in the brief is correct.

**(6) Grounds of Rejection to be Reviewed on Appeal**

The appellant's statement of the grounds of rejection to be reviewed on appeal is correct.

**(7) Claims Appendix**

The copy of the appealed claims contained in the Appendix to the brief is correct.

**(8) Evidence Relied Upon**

5,590,038	PITRODA	12-1996
2002/0174030	PRAISNER ET AL	11-2002
6,065,675	TEICHER	5-2000

Lee, Insup. "EMTM 553: E-commerce Systems" Feb 16, 2000.

Friedman, Jack P. "Dictionary of Business Terms." Barron's Business Guides. Third Ed. 2002.

**(9) Grounds of Rejection**

The following ground(s) of rejection are applicable to the appealed claims:

**Claims 1-5, 8-9, 12, 14-17, 20-21 and 24** are rejected under 35 U.S.C. 103(a) as being unpatentable over Applicant's admission of prior art in view of US 5,590,038 *Pitroda* and further in view of *EMTM 553: E-commerce Systems*, hereinafter, *EMTM*.

**As to Claim 1**, Applicant's admission discloses the invention substantially as claimed, including in a system for processing of credit card transactions, standard transactions routed through a clearinghouse (Applicant's Background of the Invention, page 1 of Specification, third para., lines 5-8) and closed loop

transactions bypassing a clearinghouse (Applicant's Background of the Invention, page 1 of Specification, third para., line 9 to page 2 of Specification, line 3):

A credit card (Applicant's Background of the Invention, page 1 of Specification, second para., lines 1-3);

A logic-enabled merchant processing a credit card transaction (Applicant's Background of the Invention, page 1 of Specification, third para., lines 3-5);

An affiliated acquiring entity to configured to acquire and direct standard transactions to the clearinghouse (Applicant's Background of the Invention, page 1 of Specification, third para., lines 5-7) and configured to acquire and direct closed loop transactions so as to bypass the clearinghouse (Applicant's Background of the Invention, page 1 of Specification, third para., line 9 to page 2 of Specification, line 3);

An affiliated card issuing entity accepting the standard transactions from the clearinghouse and debiting (Applicant's Background of the Invention, page 1 of Specification, third para., lines 7-9; posting is understood to comprise a debit entry to a credit card account).

Applicant's admission does not disclose the specific limitations of the merchant using a POS terminal and labeling a particular transaction. These limitations are disclosed by *Pitroda* at Col. 4, lines 9-32 and Col. 16, line 21 to Col. 17, liner 6, particularly Col. 16, lines 50-54 respectively. *Pitroda* further discloses private label accounts for which transactions are processed at Fig 4

and Col. 11, line 40 to Col. 12, line 6. It would have been obvious to one of ordinary skill in that art at the time of the invention to include the limitations disclosed by *Pitroda* in the invention disclosed by Applicant's admission because this would have provided a familiar and convenient infrastructure for the processing of standard and closed loop transactions having differing processing needs.

Applicant's admission does not disclose the newly claimed limitation of separate acquiring and issuing entities affiliated by an agreement to bypass a clearinghouse. *EMTM* discloses this limitation at pages 35-38, particularly page 37. It would have been obvious to one of ordinary skill in that art at the time of the invention to modify Applicant's admission with the closed loop functionality of *EMTM* because this would have reduced the fees to participants associated with clearinghouse/bankcard associations.

**As to Claim 2**, Applicant's admission of prior art discloses returning an incentive to a card holder for closed loop (on-us) transactions at Applicant's Background of the Invention, page 2 of Specification, first para., lines 3-5.

**With respect to Claims 3 and 5 (identical)**, Official Notice is taken that sharing of cost savings in proportion to the amount of savings (e.g., fees avoided) is old and well known in the business arts. For example, automobile dealers regularly pass on to customers a part (though seldom all) of manufacturer's price reduction, so as to stimulate purchases. It would have been

obvious to one of ordinary skill in that art at the time of the invention to provide incentives proportional to fees avoided by bypassing a clearinghouse to encourage customers to use a lower cost transaction processing system.

**Concerning Claim 4**, see the discussion of Claims 2 and 3 and note that this would likewise encourage merchants to use a lower cost transaction processing system and improve market presence of the closed loop processing system.

**With respect to Claims 8-9**, admission of prior art further discloses affiliated merchant groups at page 2 of Specification, second para., lines 1-2 and participation by small businesses at page 2 of Specification, third para., lines 4-5. Applicant's admission does not disclose use of the Internet; Official Notice is taken that it was old and well known at the time of the invention to use the Internet for commercial activity using credit cards. It would have been obvious to one of ordinary skill in that art at the time of the invention to use the Internet so as to provide a broad market for commerce among small businesses.

**With respect to Claim 12**, *Pitroda* discloses separate statements for differing transaction activity types at Col. 4, line 61 to Co. 5, line 13.

**With respect to Claim 14**, it is a method form of Claim 1 and is rejected in a like manner.

**With respect to Claim 15**, it would have been obvious to issue a card before use, because absent issuance, use would be impossible.

**As to Claims 16-17, 20-21 and 24**, see the discussion of Claim 14 and Claims 2, 4, 8-9 and 12 respectively.

**Claims 6-7 and 18-19** are rejected under 35 U.S.C. 103(a) as being unpatentable over Applicant's admission of prior art in view of US 5,590,038 *Pitroda* and *EMTM 553: E-commerce Systems*, hereinafter, *EMTM* and further in view of in view of US 2002/0174030 *Praisner et al.*

**With respect to Claim 6-7**, see the discussion of Claim 1. Applicant's admission of prior art does not specifically disclose the use of modified/dynamic MCC strings. *Praisner* discloses this limitation at paras . 9-10, including Table 1, "Slots". It would have been obvious to one of ordinary skill in that art at the time of the invention to modify Applicant's admission of prior art to include the modified MCC strings of *Praisner* because this would provide a readily available information device for encoding the needs of transaction of the plural transaction types.

**With respect to Claims 18-19**, see the discussion of Claim 14 and Claims 6-7.

**Claims 10 and 22** are rejected under 35 U.S.C. 103(a) as being unpatentable over Applicant's admission of prior art in view of US 5,590,038 *Pitroda* in view of *Dictionary of Business Terms*, hereinafter, *Dictionary*.



**With respect to Claim 10**, see the discussion of Claim 1. Applicant's admission of prior art does not specifically disclose that the credit card account includes a revolving credit line. *Dictionary* discloses the concept of revolving credit at page 597, entry 2 of "Revolving Credit". It would have been obvious to one of ordinary skill in that art at the time of the invention to modify the credit card functionality disclosed by Applicant's admission of prior art to include revolving credit as disclosed by *Dictionary* because this could result in a larger balance forward each month, resulting in greater accrued interest charges for a lender.

**With respect to Claim 22**, see the discussion of Claim 14 and Claims 10.

**Claims 11 and 23** are rejected under 35 U.S.C. 103(a) as being unpatentable over Applicant's admission of prior art in view of US 5,590,038 *Pitroda* and *EMTM 553: E-commerce Systems*, hereinafter, *EMTM* and further in view of *American Express webpage*.

**With respect to Claim 11**, see the discussion of Claim 1. Applicant's admission of prior art does not specifically disclose that the credit card account balance must be periodically paid in full. *American Express webpage* discloses such a payment policy at page 2, underlined text. It would have been obvious to one of ordinary skill in that art at the time of the invention to modify the credit card functionality disclosed by Applicant's admission of prior art to include such a

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payment-in-full policy because this would allow the lender to offer lower interest rates based on prompt reliable payment by responsible customers.

**With respect to Claim 23**, see the discussion of Claim 14 and Claims 11.

**Claims 13 and 25** are rejected under 35 U.S.C. 103(a) as being unpatentable over Applicant's admission of prior art in view of US 5,590,038 *Pitroda* and *EMTM 553: E-commerce Systems*, hereinafter, *EMTM* and further in view of US 6,065,675 *Teicher*.

**With respect to Claim 13**, see the discussion of Claim 1. Applicant's admission of prior art does not specifically disclose an affiliate agreement among merchant, acquirer and issuer related to debiting and crediting fees. *Teicher* discloses this limitation at Fig. 10 and Col. 16, line 48 to Col. 19, line 14. It would have been obvious to one of ordinary skill in that art at the time of the invention to modify the teachings of Applicant's admission of prior art to include an affiliate agreement among merchant, acquirer and issuer related to debiting and crediting fees as disclosed by *Teicher* because this would provide a formalized, contractual relationship among the parties processing transactions.

**With respect to Claim 25**, see the discussion of Claim 14 and Claims 13.

**(10) Response to Argument**

Regarding claims 1 and 14, Appellant asserts that the cited art of record fails to teach the invention substantially as claimed. Specifically, Appellant appears to argue that Appellant's background section requires acquiring entities and issuing entities to be the same, and therefore fails to teach "wherein the acquiring entity and card issuing entities are separate entities affiliated by an agreement to bypass the clearinghouse" (Appeal Brief, page 5). Examiner respectfully disagrees.

Furthermore, Appellant's arguments amount to a general allegation that the claims define a patentable invention without specifically pointing out how the language of the claims patentably distinguishes them from the references. Appellant appears to show patentability of the claimed invention by establishing that the prior art of record describes conventional existing systems. Appellant fails to particularly point out how the claim language differs from these systems. Furthermore, it is noted that the features upon which appellant relies (i.e., the ability of the claimed invention to mimic standard transactions) are not recited in the rejected claims. Although the claims are interpreted in light of the specification, limitations from the specification are not read into the claims. See *In re Van Geuns*, 988 F.2d 1181, 26 USPQ2d 1057 (Fed. Cir. 1993).

Examiner is of the opinion that the claim language, given its broadest reasonable interpretation, does not distinguish the claimed invention over the prior art of record. As

cited above, Appellant's admission discloses the invention substantially as claimed. Affiliated acquiring entities, as described in Appellant's specification (page 1, 2) may be a merchant's bank. The merchant's bank performs transactions on behalf of the merchant, said transactions including both standard clearinghouse transactions, and closed loop transactions. These are well known in the art, as described by Appellant. Affiliated card issuing entities, as described in Appellant's specification (page 1, 2), may be card sponsor and card issuing banks. It is well known that these banks may accept clearinghouse transactions, and may accept closed loop transactions as well. Examiner agrees that the old and well known closed loop transactions require the acquiring entity and affiliated entity to be the same. Appellant's argument appears to be based on the function of the system, wherein the merchant has a single acquiring entity, and a single issuing entity, and wherein all transactions are processed through them sequentially, regardless of the transaction type. This function is not present in the claim language.

The Board's attention is respectfully directed to the fact that Appellant has claimed the entities which perform the processing, and is inferring that a specific arrangement of these entities, performed according to a specific process, is novel. However, Appellant has merely claimed entities which are well known, and argues that the claim language requires a closed loop transaction be passed from an acquiring entity to a different issuing entity, without the use of a clearinghouse (see Appeal Brief, page 6).

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Examiner contends that, in light of Appellant's admitted prior art, the claim language does not exclude the situation where a merchant has an acquiring entity, and multiple issuing entities with which it does business. The merchant's acquiring entity may be configured to accept both clearinghouse transactions and closed loop "on-us" transactions. The transactions may be processed through card issuing entities, who receive the transactions from a clearinghouse, as is known in the art, or in the case of the "on-us" transaction, all processing is done internally. In any case, the prior art system includes an acquiring entity which acquires and directs both standard clearinghouse transactions, as well as closed loop transactions. Furthermore, the prior art system includes separate issuing entities which accept standard clearinghouse transactions, as well as closed loop transactions.

Appellant's narrow interpretation of the claim language includes functions and limitations which Examiner does not believe are required. Appellant's discussion of the Pitroda reference, the EMTM reference rely upon the fact that Appellant's admitted prior art does not teach the limitations of claims 1 and 14. In response to Appellant's arguments against the references individually, one cannot show nonobviousness by attacking references individually where the rejections are based on combinations of references. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981); *In re Merck & Co.*, 800 F.2d 1091, 231 USPQ 375 (Fed. Cir. 1986). Since Examiner is of the opinion that Appellant's admitted prior art teaches the claimed limitations, no further discussion is required.

**(11) Related Proceeding(s) Appendix**

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and Interferences section of this examiner's answer.

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

Daniel Kesack

7 June 2007

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